



House of Representatives

General Assembly

File No. 572

January Session, 2001

House Bill No. 6758

House of Representatives, May 2, 2001

The Committee on Finance, Revenue and Bonding reported through REP. MCDONALD of the 148th Dist., Chairperson of the Committee on the part of the House, that the bill ought to pass.

AN ACT CONCERNING TECHNICAL CHANGES TO VARIOUS TAX STATUTES.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 12-407c of the general statutes is repealed and the
2 following is substituted in lieu thereof:

3 If any person described in [subdivision (e)] subparagraph (E) of
4 subsection (12) of section 12-407 is acting in concert with any person
5 described in [subdivision (f)] subparagraph (F) of said subsection, the
6 Commissioner of Revenue Services, in the commissioner's discretion,
7 may deem and treat such persons as principal and agent, respectively,
8 when the commissioner deems it necessary for the efficient
9 administration of this chapter and may hold such persons jointly and
10 severally liable for the collection and payment of the taxes imposed by
11 this chapter. An unaffiliated person providing fulfillment services, as
12 defined in subparagraph (C) of subsection (15) of section 12-407, to a

13 purchaser of such services shall not be treated as a retailer by the
14 commissioner under this section with respect to such activity.

15 Sec. 2. Subsection (1) of section 12-411 of the general statutes is
16 repealed and the following is substituted in lieu thereof:

17 (1) An excise tax is hereby imposed on the storage, acceptance,
18 consumption or any other use in this state of tangible personal
19 property purchased from any retailer for storage, acceptance,
20 consumption or any other use in this state, the acceptance or receipt of
21 any services constituting a sale in accordance with subdivision (2) of
22 section 12-407, purchased from any retailer for consumption or use in
23 this state, or the storage, acceptance, consumption or any other use in
24 this state of tangible personal property which has been manufactured,
25 fabricated, assembled or processed from materials by a person, either
26 within or without this state, for storage, acceptance, consumption or
27 any other use by such person in this state, to be measured by the sales
28 price of materials, at the rate of six per cent of the sales price of such
29 property or services, except, in lieu of said rate of six per cent, (A) at a
30 rate of twelve per cent of the rent paid for occupancy of any room or
31 rooms in a hotel or lodging house for the first period of not exceeding
32 thirty consecutive calendar days, (B) with respect to the storage,
33 acceptance, consumption or use in this state of a motor vehicle
34 purchased from any retailer for storage, acceptance, consumption or
35 use in this state by any individual who is a member of the armed
36 forces of the United States and is on full-time active duty in
37 Connecticut and who is considered, under 50 App USC 574, a resident
38 of another state, or to any such individual and the spouse of such
39 individual at a rate of four and one-half per cent of the sales price of
40 such vehicle, provided such retailer requires and maintains a
41 declaration by such individual, prescribed as to form by the
42 commissioner and bearing notice to the effect that false statements
43 made in such declaration are punishable, or other evidence,
44 satisfactory to the commissioner, concerning the purchaser's state of

45 residence under 50 App USC 574, (C) with respect to the acceptance or
46 receipt in this state of labor that is otherwise taxable under subdivision
47 (c) or (g) of subsection (2) of section 12-407 on existing vessels and
48 repair or maintenance services on vessels occurring on and after July 1,
49 1999, such services shall be exempt from such tax, (D) (i) with respect
50 to the acceptance or receipt in this state of computer and data
51 processing services purchased from any retailer for consumption or
52 use in this state occurring on or after July 1, 1997, and prior to July 1,
53 1998, at the rate of five per cent of such services, on or after July 1,
54 1998, and prior to July 1, 1999, at the rate of four per cent of such
55 services, on or after July 1, 1999, and prior to July 1, 2000, at the rate of
56 three per cent of such services, on or after July 1, 2000, and prior to July
57 1, 2001, at the rate of two per cent of such services, on and after July 1,
58 2001, and prior to July 1, 2002, at the rate of one per cent of such
59 services and on and after July 1, 2002, such services shall be exempt
60 from such tax, and (ii) with respect to the acceptance or receipt in this
61 state of Internet access services, on or after July 1, 2001, such services
62 shall be exempt from tax, (E) with respect to the acceptance or receipt
63 in this state of patient care services purchased from any retailer for
64 consumption or use in this state occurring on or after July 1, 1999, at
65 the rate of five and three-fourths per cent, and (F) with respect to
66 acceptance of the renovation and repair services of paving of any sort,
67 painting or staining, wallpapering, roofing, siding and exterior sheet
68 metal work, to other than industrial, commercial or income-producing
69 real property, occurring on or after July 1, 1999, and prior to July 1,
70 2000, at the rate of four per cent, with respect to such sales occurring
71 on or after July 1, 2000, and prior to July 1, 2001, at the rate of two per
72 cent, and on and after July 1, 2001, sales of such renovation and repair
73 services shall be exempt from such tax.

74 Sec. 3. Subsection (27) of section 12-412 of the general statutes, as
75 amended by section 2 of public act 00-170, is repealed and the
76 following is substituted in lieu thereof:

77 (27) (A) Sales of any items for fifty cents or less from vending
78 machines; or (B) sales of food products, as defined in subsection [(23)]
79 (13) of this section, sold through coin-operated vending machines.

80 Sec. 4. Subsections (a) and (b) of section 12-587 of the general
81 statutes are repealed and the following is substituted in lieu thereof:

82 (a) As used in this chapter: (1) "Company" includes a corporation,
83 partnership, limited partnership, limited liability company, limited
84 liability partnership, association, individual or any fiduciary thereof;
85 (2) "quarterly period" means a period of three calendar months
86 commencing on the first day of January, April, July or October and
87 ending on the last day of March, June, September or December,
88 respectively; (3) "gross earnings" means all consideration received
89 from the first sale within this state of a petroleum product; (4)
90 "petroleum products" means those products which contain or are
91 made from petroleum or a petroleum derivative; [, except paraffin or
92 microcrystalline waxes;] (5) "first sale of petroleum products within
93 this state" means the initial sale of a petroleum product delivered to a
94 location in this state; (6) "export" or "exportation" means the
95 conveyance of petroleum products from within this state to a location
96 outside this state for the purpose of sale or use outside this state; and
97 (7) "sale for exportation" means a sale of petroleum products to a
98 purchaser which itself exports such products.

99 (b) (1) Except as otherwise provided in subdivision (2) of this
100 subsection, any company which is engaged in the refining or
101 distribution, or both, of petroleum products and which distributes
102 such products in this state shall pay a quarterly tax on its gross
103 earnings derived from the first sale of petroleum products within this
104 state. Each company shall on or before the last day of the month next
105 succeeding each quarterly period render to the commissioner a return
106 on forms prescribed or furnished by the commissioner and signed by
107 the person performing the duties of treasurer or an authorized agent or

108 officer, including the amount of gross earnings derived from the first
109 sale of petroleum products within this state for the quarterly period
110 and such other facts as the commissioner may require for the purpose
111 of making any computation required by this chapter. Except as
112 otherwise provided in subdivision (3) of this subsection, the rate of tax
113 shall be five per cent.

114 (2) Gross earnings derived from the first sale of the following
115 petroleum products within this state shall be exempt from tax: (A) Any
116 petroleum products sold for exportation from this state for sale or use
117 outside this state; (B) the product designated by the American Society
118 for Testing and Materials as "Specification for Heating Oil D396-69",
119 commonly known as number 2 heating oil, to be used exclusively for
120 heating purposes or to be used in a commercial fishing vessel, which
121 vessel qualifies for an exemption pursuant to section 12-412; (C)
122 kerosene, commonly known as number 1 oil, to be used exclusively for
123 heating purposes, provided delivery is of both number 1 and number 2
124 oil, and via a truck with a metered delivery ticket to a residential
125 dwelling or to a centrally metered system serving a group of
126 residential dwellings; (D) the product identified as propane gas, to be
127 used exclusively for heating purposes; (E) bunker fuel oil, intermediate
128 fuel, marine diesel oil and marine gas oil to be used in any vessel
129 having a displacement exceeding four thousand dead weight tons; (F)
130 for any first sale occurring prior to January 1, 2000, propane gas to be
131 used as a fuel for a motor vehicle; (G) for any first sale occurring on or
132 after July 1, 2002, grade number 6 fuel oil, as defined in regulations
133 adopted pursuant to section 16a-22c, to be used exclusively by a
134 company which, in accordance with census data contained in the
135 Standard Industrial Classification Manual, United States Office of
136 Management and Budget, 1987 edition, is included in code
137 classifications 2000 to 3999, inclusive, or in Sector 31, 32 or 33 in the
138 North American Industrial Classification System United States
139 Manual, United States Office of Management and Budget, 1997 edition;
140 [or] (H) for any first sale occurring on or after July 1, 2002, number 2

141 heating oil to be used exclusively in a vessel primarily engaged in
142 interstate commerce, which vessel qualifies for an exemption under
143 section 12-412; or (I) for any first sale occurring on or after July 1, 2000,
144 paraffin or microcrystalline waxes.

145 (3) The rate of tax on gross earnings derived from the first sale of
146 grade number 6 fuel oil, as defined in regulations adopted pursuant to
147 section 16a-22c, to be used exclusively by a company which, in
148 accordance with census data contained in the Standard Industrial
149 Classification Manual, United States Office of Management and
150 Budget, 1987 edition, is included in code classifications 2000 to 3999,
151 inclusive, or in Sector 31, 32 or 33 in the North American Industrial
152 Classification System United States Manual, United States Office of
153 Management and Budget, 1997 edition, or number 2 heating oil used
154 exclusively in a vessel primarily engaged in interstate commerce,
155 which vessel qualifies for an exemption under section 12-412 shall be:
156 (A) Four per cent with respect to calendar quarters commencing on or
157 after July 1, 1998, and prior to July 1, 1999; (B) three per cent with
158 respect to calendar quarters commencing on or after July 1, 1999, and
159 prior to July 1, 2000; (C) two per cent with respect to calendar quarters
160 commencing on or after July 1, 2000, and prior to July 1, 2001; and (D)
161 one per cent with respect to calendar quarters commencing on or after
162 July 1, 2001, and prior to July 1, 2002.

163 Sec. 5. Subsection (a) of section 12-704 of the general statutes is
164 repealed and the following is substituted in lieu thereof:

165 (a) (1) Any resident or part-year resident of this state shall be
166 allowed a credit against the tax otherwise due under this chapter in the
167 amount of any income tax imposed on such resident or part-year
168 resident for the taxable year by another state of the United States or a
169 political subdivision thereof or the District of Columbia on income
170 derived from sources therein and which is also subject to tax under
171 this chapter.

172 (2) In the case of a resident, the credit provided under this section
173 shall not exceed the proportion of the tax otherwise due under this
174 chapter that the amount of the taxpayer's Connecticut adjusted gross
175 income derived from or connected with sources in the other taxing
176 jurisdiction bears to such taxpayer's Connecticut adjusted gross
177 income under this chapter. The provisions of this section shall also
178 apply to resident trusts and estates and, wherever reference is made in
179 this section to residents of this state, such reference shall be construed
180 to include resident trusts and estates.

181 (3) In the case of a part-year resident, the credit provided under this
182 section shall not exceed the proportion of the tax otherwise due during
183 the period of residency under this chapter that the amount of the
184 taxpayer's Connecticut adjusted gross income derived from or
185 connected with sources in the other jurisdiction during the period of
186 residency bears to such taxpayer's Connecticut adjusted gross income
187 during the period of residency under this chapter. [, nor shall the] The
188 provisions of this section shall also apply to part-year resident trusts
189 and, wherever reference is made in this section to part-year residents
190 of this state, such reference shall be construed to include part-year
191 resident trusts.

192 (4) The allowance of the credit provided under this section shall not
193 reduce the tax otherwise due under this chapter to an amount less than
194 what would have been due if the income subject to taxation by such
195 other jurisdiction were excluded from Connecticut adjusted gross
196 income.

197 Sec. 6. Subsection (d) of section 22a-132 of the general statutes is
198 repealed and the following is substituted in lieu thereof:

199 (d) The revenue collected in accordance with this section shall be
200 deposited in the General Fund. The assessment imposed by this section
201 shall not apply to any Connecticut state agency or any Connecticut
202 political subdivision or agency thereof.

203 Sec. 7. Section 12-413b of the general statutes is repealed and the
204 following is substituted in lieu thereof:

205 (a) The Commissioner of Higher Education may select a direct [pay]
206 payment permit holder, as described in section 12-409a, for a pilot
207 program in accordance with the provisions of this section.

208 (b) There shall be allowed a credit to such direct [pay] payment
209 permit holder in an amount equal to the amount of a qualified
210 investment, as defined in subsection (c) of this section, that is made on
211 or after July 1, 2000, against the use tax liability that is incurred under
212 this chapter by such holder in making purchases on or after July 1,
213 2000, of computer equipment to be used in this state in electronic
214 commerce. The total amount of such credits allowed under this section
215 shall not exceed two million dollars in the aggregate. No credit shall be
216 allowed under this section unless the Commissioner of Higher
217 Education certifies, in a manner satisfactory to the Commissioner of
218 Revenue Services, that a qualified investment has been made by the
219 direct [pay] payment permit holder and that projects related to such
220 investment have been completed. The Commissioner of Revenue
221 Services may adopt regulations, in accordance with the provisions of
222 chapter 54, which prescribe the procedures for the direct [pay]
223 payment permit holder to claim the credit allowed under this section.

224 (c) For purposes of this section, "qualified investment" means
225 resources, including, but not limited to, cash, property or services
226 provided by a direct [pay] payment permit holder to a public or
227 private college or university in this state, for the design, planning,
228 construction or renovation of buildings or classrooms, the acquisition
229 of computer equipment or the acquisition of other property or licenses
230 necessary for operation of computer programs which will be used in
231 the instruction of students in business studies related to electronic
232 commerce or in work force development programs.

233 Sec. 8. (a) Section 12-382 of the general statutes is repealed.

234 (b) In codifying the provisions of this act, the Legislative
235 Commissioners shall delete the reference to section 12-382 that appears
236 in the following section of the general statutes: 36a-44.

FIN *Joint Favorable*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact: Minimal Cost Saving

Affected Agencies: Department of Revenue Services

Municipal Impact: None

Explanation**State Impact:**

There would be some savings to the Department of Revenue Services by eliminating administrative procedures of the commissioner consenting to certain transfers where there is no succession tax liability. For estates that continue to have a tax liability it is unclear what impact eliminating this procedure will have.

There is no fiscal impact of eliminating the use tax on Internet access service fees because: (1) it is assumed that the Department of Revenue Services would not attempt to collect use taxes on Internet access service fees when they are no longer subject to the sales tax, and (2) the changes comply with the intent of Public Act 00-170, which is to eliminate the remaining tax on Internet access service fees as of July 1, 2001.

The remaining provisions contained in the bill make technical corrections or clarify existing statutes and have no fiscal impact.

OLR Bill Analysis

HB 6758

AN ACT CONCERNING TECHNICAL CHANGES TO VARIOUS TAX STATUTES.**SUMMARY:**

This bill:

1. eliminates the use tax on Internet access service as of July 1, 2001 (see COMMENT);
2. eliminates remaining requirements for the revenue services commissioner to be notified of, and give consent to, transfers of a decedent's property;
3. requires Connecticut income tax credits that apply to residents and part-year residents for income tax payments to other states, also to apply to resident trusts and estates and part-year resident trusts respectively;
4. expressly limits the state agency and political subdivision exemption from the hazardous waste generator assessment to Connecticut state agencies and political subdivisions (the assessment pays for the Connecticut Siting Council's annual expenses); and
5. makes technical changes.

EFFECTIVE DATE: October 1, 2001

DRS CONSENT REQUIREMENTS

Under current law, the revenue services commissioner must get notice of and give consent to certain transfers of a decedent's property that is subject to the succession tax. Failure to obtain the required consent

results in a penalty of triple the tax due. This bill eliminates the consent requirement and penalty. The following are already exempt:

1. transfers of money in a joint account to the surviving account holder or in a trust account to the account beneficiary;
2. payments under a retirement or pension plan, trust, or contract receivable after death to the beneficiary; and
3. property transfers to a surviving spouse.

The succession tax is being phased out and will expire entirely as of January 1, 2005.

BACKGROUND

Internet Access Service

Under PA 00-170, the sales tax on Internet access services will be eliminated as of July 1, 2001.

Succession Tax Phase-Out

The following transfers are currently exempt from the succession tax:

1. all transfers to Class AA beneficiaries (surviving spouses) and Class A beneficiaries (immediate family members and direct descendants such as children, parents, and grandparents);
2. transfers under \$600,000 to Class B beneficiaries (collateral descendants such as brothers, sisters, nephews, and nieces);
3. transfers under \$200,000 to Class C beneficiaries (all others).

All transfers to Class B and Class C beneficiaries will be exempt as of January 1, 2003 and January 1, 2005, respectively.

COMMENT

Ambiguous Effective Date

The bill exempts acceptance or receipt of Internet access service from the use tax on and after July 1, 2001. But the bill takes effect October 1, 2001.

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable Report

Yea 45 Nay 0